

Emco Industries Limited

Annual Report 1998

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Company Information

Board of Directors

Mr. S. A. Mannan, Chairman
Mr. Tariq Rehman, Chief Executive
Mr. A. Rehman
Mr. Shafiq A. Siddiqi
Mr. T.M. Sheikh
Mr. Haris Noorani
Mr. Suhail Mannan
Mr. Tahir Rehman
Mr. Iqbal Shafiq
Mr. Usman Haq

Auditors

S.A. Salam & Co.
Chartered Accountants,
Lahore

Bankers

Habib Bank Ltd.
Standard Chartered Bank
Emirates Bank International
Citibank N.A.
Deutsche Bank A.G.
American Express Bank Ltd.

Registered Office

2nd Floor, Emirates Bank Building,
14-Kashmir-Egerton Road,
Lahore-54000

Factory

19-Kilometre, Lahore-Sheikhupura Road,
Lahore.

Business Items

Porcelain Insulators

- Suspension Insulator
- Pin Insulator
- Line Post Insulator
- Cap and Pin Type Support Insulator
- Station Post Insulator
- Indoor Switch and Bus Insulator
- Apparatus Insulator
- Insulator for Railway Electrification
- Telephone Insulator
- Low Voltage Insulator
- Dropout Cutout Insulator
- Bushings

Switchgear

- Disconnect Switches upto 145 kV
- Metal Oxide Surge Arresters upto 430 kV
(Under Licence from Siemens, Germany)

Chemical Porcelain

- Acid Proof Wares and Bricks
- Raschig Rings and Saddles
- Acid Proof Porcelain Pipes and Fittings
- Acid Proof Cement

Special Porcelain

- Special Refractories
- High Alumina Porcelain
- Lining & Grinding Media

Ceramic Glazed Wall Tiles

- Coloured & Decorative Glazed Wall Tiles
15 cmx 15 cm x 6 mm
20 cm x 25 cm x 6mm

Ceramic Glazed Floor Tiles

- Vitreous & Semi Vitreous Decorative Glazed
Floor Tiles
30 cmx 30 cm x 8 mm
- Semi Vitreous Glazed Floor Tiles
40 cm x40 cm x 8 mm
- Floor and Facing Tiles
10 cmx 30 cm x 8 mm

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of the Members of EMCO INDUSTRIES LIMITED, will be held on 30th December, 1998 at 11.00 A.M. at the Registered Office of the Company, 2nd Floor, Emirates Bank Building, 14-Kashmir/Egerton Road, Lahore, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 8th December, 1997.

2. To consider and adopt the Audited Accounts of the Company for the year ended 30th June, 1998 and reports of the Auditors and Directors thereon.

3. To appoint Auditors and fix their remuneration.

By order of the Board

(HARIS NOORANI)

Lahore: December 1, 1998

DIRECTOR CORPORATE AFFAIRS

NOTES:

i) The Shares Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 24th December, 1998 to 30th December, 1998 (both days inclusive).

ii) A member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than forty eight hours before the time of holding the meeting. Form of proxy is enclosed.

iii) Members are requested to notify immediately the change of address, if any.

Directors' Report

The Board of Directors is pleased to present the 43rd Annual Report of EMCO Industries Limited for the year ended June 30, 1998

Financial Results

	Rupees
Net (loss) for the year after taxation	(64,196,598)
Unappropriated profit brought forward From prior year	5,938,761

Unappropriated (loss) carried forward	(58,257,837)
	=====

Pattern of Holding of Shares

A statement showing the pattern of holding of shares in the Company as on June 30, 1998 appears

Auditors

The retiring auditors, Messrs. S.A. Salam & Go, being eligible, offer themselves for re-appointment.

Chairman's Review

The accompanying Chairman's review deals with the performance of the Company during the year and the future outlook. The Directors endorse the contents of the review.

On behalf of the Board of Directors

Lahore: December 1, 1998

TARIQ REHMAN

(Chief Executive)

FINANCIAL HIGHLIGHTS

June 30, 1998	June 30, 1997
------------------	------------------

Net Sales	Rs. in Million	307	490
Profit/(Loss) before tax	Rs. in Million	(62.7)	(20.0)
Income Tax	Rs. in Million	1.5	2.5
Profit/(Loss) after tax	Rs. in Million	(64.2)	(2.25)
Earning per Share	Rs./Share	(5.58)	(2.25)
Stock Dividend	%	-	15
No. of Shares Outstanding	(000's)	11,500	10,000
Taxes & Duties	Rs. in Million	83*	158*

* For details see Note 33 to the Account

TEN YEARS AT A GLANCE

	1998	1997	1996	1994	1993	1992	1991	1990	1989	1988
	18 Months									
(Rupees in Million)										
Net Total Sales	307	490	791	462	348	417	296	238	192	180
Exports	50	50	44	31	20	8	17	23	16	16
Employees Costs	76	126	183	103	85	81	65	53	46	37
Profit/(Loss) before tax	(63)	(20)	38	23	15	25	17	26	16	14
Profit/(Loss) after tax	(64)	(23)	54	21	23	15	14	23	9	6
Earning per share	(5.58)	(2.25)	8.97	3.45	5.83	3.78	3.54	5.74	2.17	1.46
Capital Expenditure	255	29	102	28	15	61	84	84	15	13
Cash Dividend Rate	-	-	20.00%	17.5%	17.5%	15.0%	15.0%	20.0%	17.5%	17.5%
Stock Dividend Rate	-	15%	-	-	-	-	-	-	-	-
Shareholders' Equity	187	251	213	172	159	99	89	81	66	65

CHAIRMAN'S REVIEW

On behalf of the Board of Directors it gives me great pleasure to welcome you to the 43rd Annual General Meeting of the Company and to present before you the Annual Report and Financial Statements for the year ended 30th June, 1998.

This year your Company has sustained a loss of Rs. 64.197 million as compared to a loss of Rs. 22.545 million last year which has resulted in serious cash flow problems. This loss is attributable to the following reasons:

1. Owing to the continued financial crisis of WAPDA, the Company did not have sufficient orders to run its Insulator Plant at Profitable level. The plant operated only at 17 percent of the rated capacity which is an unsustainable level. However, most of the orders executed during the year were value added products and in terms of sales volume the total sales for the year was Rs. 121 million which was 66% of the last year's sales. In order to adjust the labour cost with volume of business of Insulator Division an early retirement scheme was launched during the year and 50% of the staff strength was reduced. This process of restructuring resulted into production slow down for a period of 3-4 months during the year.

2. In order to increase the production capacity of Wall Tile Plant from 500,000 M2 to 1,500,000 M2 per annum an investment of Rs. 255.027 million was made in this plant. Due to number of technical problems faced during the trial runs which were mainly relating to synchronizing of old and new plant and machinery, the Wall Tile Plant could not be commissioned according to planned schedule. The plant was shut down for the expansion work on September 16, 1997 and after installation of plant and machinery and completion of civil work the plant was to be commissioned within two months, which was considerably delayed because of technical problems and was eventually commercially commissioned on June 01, 1998. This abnormal delay in commissioning resulted into

unabsorbed fixed overheads and burden of financial charges.

3. In order to increase the production capacity of Floor Tile Plant from 500,000 M2 to 900,000 M2 p.a. an investment of Rs. 32 million was made. The plant was shut down on September 16, 1997 and after completion of expansion work the trial production was started on November 01, 1997. After successful trial run the commercial production commenced on January 01, 1998. Because of multiple reasons production results could not be achieved as per desired targets.

4. Price increase in the local as well as imported raw materials, increase in the price of power and rising trend of inflation also contributed in increasing the product cost. Due to tough competition in the market the corresponding increase in the selling price was not possible.

5. In later part of the year the Company faced problems in establishing Letters of Credit for imported raw materials as foreign banks were reluctant to take cross border exposure owing to uncertainty prevailing in the country after nuclear explosion.

During last three years substantial capital investment of approximately Rs. 385 million had been made in all the three plants of the company, but unfortunately when the time for matching revenue came the downturn in the economy with world-wide recession played a vital role in disturbing the financial position of the company. However, after going through such a bad time the turn around of the company has now started which is evident from the following:

* All cash losses of the company have been financed by the Directors by arranging loans against their personal securities. Out of these loans an amount of Rs. 67.00 million has been subordinated to AMEX bank led consortium which will be repaid after the company's cash flow position improves.

* The Company has declared right issue for Rs. 38.333 million at par in the ratio of one share for three shares already held. The entire issue has been underwritten by the sponsoring Directors. The sponsoring directors intend to take all the shares they are entitled to and all the shares which will remain unsubscribed. The last date of payment/renunciation is fixed as December 09, 1998.

* As compared to corresponding period the operating results of the company during the period from July to November, 1998 are encouraging which are summarized below:-

Corresponding period

	Sales		Sales	
	Production	Rs. Million	Production	Rs. Million
Insulator	658 tons	72.00	331 tons	49.00
Wall Tile	202,000 M(2)	71.00	150,000 M(2)	68.00
Floor Tile	268,000 M(2)	78.00	151,000 M(2)	62.00

In the remaining period the operating results are expected to improve further. Due to inadequate working capital facilities available the company faced number of problems during above period to arrange local and imported raw materials which resulted in low production as compared to the estimates.

* There has been a very encouraging response for export of Insulators to Saudi Arabia, Iran, Turkey, Middle East and the United Kingdom. During 1998-99 we are expecting a total sales volume of Insulators between Rs. 200 to Rs. 240 million out of which export sales will be approx. 70%. We have also started receiving orders from WAPDA's Area Electricity Boards recently established by the Government of Pakistan. In future we expect to receive more orders from Area Electricity Boards.

* Now the technical problems of the Wall Tile Plant have been resolved and we expect to run this plant at maximum capacity which will result in improving the financial position of the company.

* The company has also added during the year 3rd firing and tile cutting facilities by virtue of which we are producing an excellent value added products which are getting very good market response.

* During 1998-99 numbers of cost saving measures were taken which include, adjustment of labour strength in Insulator Plant with business volume, shifting of Lahore Warehouse to Factory, privatization of despatches of tiles from warehouse/factory to the dealers, reduction in daily wages and overtime costs and better inventory management.

* A portion of savings in salaries and allowances owing to early retirement scheme was passed on to the existing employees by re-structuring their salaries upward. Effective October 01,1998 the company has implemented a "Quarterly Bonus Scheme" for its employees. Bonus will be paid on achieving certain production and sales targets and other key efficiency parameters relating to product mix and recovery percentage.

* Based on very genuine grounds your company requested the long term lenders and leasing companies for re-scheduling of loans for a period of one year. This was the first ever re-scheduling your company had requested to financial institutions. In view of the good track record of the company almost all the long term lenders and leasing companies have shown their willingness to support the company.

* United Bank Limited has recently sanctioned funded and non-funded working capital facilities amounting to Rs. 100 million.

* During August 1998 your company was awarded ISO-9001 Certification for both its Insulator and Tile Plants by the International Standards Organization, U.K. This is the first ever certificate issued to any company in the sub-continent which is engaged in ceramic products. This certification will play a major role in improving the efficiency and working environment in the company.

* Computer problem relating to Year 2000 called as "Millennium Bug" is a major issue being faced by most of the organizations all over the world. In order to get this problem resolved, your company had entered into an agreement with Software Consultants and we are pleased to inform you that 80% of the work has already been completed and we will be able to get year-2000 certificate by December 31, 1998.

In view of the above positive factors we expect that the company will come out of its cash flow problems very soon.

EMPLOYEES RELATIONS

The Management would like to place on record the positive attitude and co-operation of the Labour Union during the difficult phase the company is passing through.

FUTURE LOOK

Next two years are going to be bit difficult during which company is likely to tide over its cashflows to honour its financial obligations and re-enter in the bright-era previously enjoyed by the company. The company is now confident of successfully being able to come over its technical problems and issues with financial institutions.

ACKNOWLEDGMENT

I take this opportunity to place on record the dedication of the employees and staff during the difficult period. I would also like to thank our customers, dealers, and bankers who have reposed confidence in the products supplied to them and would like to re-affirm the Company's pledge to continue "To Provide Quality Products and Services to the Satisfaction of Customers."

S. A. MANNAN

Lahore: December 1, 1998.

(Chairman)

Auditors' Report to the Members

We have audited the annexed Balance Sheet of EMCO Industries Limited as at June 30, 1998 and the

related Profit and Loss Account and Statement of Change in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:-

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note number 2.8 and 2.9 with which we concur;

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Statement of Changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1998 and of the loss and the changes in financial position for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

S.A. SALAM & CO.,
Chartered Accountants.

Lahore: December 1, 1998.

BALANCE SHEET AS AT JUNE 30, 1998

	Note	June 30, 1998 Rupees	June 30, 1997 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital 25,000,000 ordinary shares of Rs. 10 each.		250,000,000 =====	250,000,000 =====
Issued, subscribed and paid up capital	3	115,000,000	100,000,000
Reserves and unappropriated profit	4	71,640,689	135,837,287
Reserves for issue of Bonus Shares		-	15,000,000
		-----	-----
		186,640,689	250,837,287
SURPLUS ON REVALUATION OF LAND	5	18,830,530	18,830,530
SUBORDINATED LOAN	6	67,000,000	-
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	7	137,543,948	190,506,848
Liabilities against assets subject to finance lea	8	48,885,973	48,903,334
Deferred liabilities	9	25,128,657	12,407,517
		-----	-----

		211,558,578	251,817,699
CURRENT LIABILITIES			
Short term finances-secured	10	344,502,606	256,297,775
Short term finances from Associated Companies - unsecured		-	5,600,000
Current maturity of long term loans	7	52,962,899	9,212,899
Current maturity of liabilities against assets subject to finance lease	8	26,057,086	13,971,715
Current maturity of deferred import levies	9	2,392,469	2,392,469
Creditors, accrued and other liabilities	11	114,830,102	97,053,076
		-----	-----
		540,745,162	384,527,934
CONTINGENCIES & COMMITMENTS	12	-	-
		-----	-----
		1,024,774,959	906,013,450
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets	13	440,129,756	238,481,929
Assets subject to finance lease	14	82,694,207	66,772,071
Capital work in progress	15	-	163,919,232
		522,823,963	469,173,232
		-----	-----
DEFERRED EXPENSES	16	110,947,274	-
LONG TERM LOANS AND DEPOSITS	17	977,274	2,661,631
CURRENT ASSETS			
Stores, spares and loose tools	18	52,921,864	52,327,013
Stock-in-trade	19	178,340,967	200,199,899
Trade debts	20	112,188,409	116,186,376
Advances, deposits, prepayments and other receivables	21	44,831,969	60,035,361
Cash and bank balances	22	1,743,239	5,429,938
		-----	-----
		390,026,448	434,178,587
		-----	-----
		1,024,774,959	906,013,450
		=====	=====

Auditors' report to the members of even date annexed hereto.
The annexed notes form an integral part of these accounts.

For S.A. Salam & Co.
(Chartered Accountants)

S.A. Mannan
(Chairman)

Tariq Rehman
(Chief Executive)

Lahore: December 1, 1998.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	June 30, 1998 Rupees	June 30, 1997 Rupees
Gross Sales	23	368,165,018	599,729,208
Less: excise duty & sales tax		60,911,668	109,442,023

Net Sales		307,253,350	490,287,185
Cost of sales	24	258,313,323	360,128,576
GROSS PROFIT		48,940,027	130,158,609
OPERATING EXPENSES			
Administration and general	25	22,820,547	38,143,767
Selling and distribution	26	27,665,633	44,684,559
		50,486,180	82,828,326
PROFIT/(LOSS) FROM OPERATIONS		(1,546,153)	47,330,283
Other income/(Loss)	27	2,932,589	(623,273)
		1,386,436	46,707,010
Financial charges	28	64,046,767	66,536,434
Workers' profit participation fund	29	-	264,354
		64,046,767	66,800,788
PROFIT/(LOSS) BEFORE TAXATION		(62,660,331)	(20,093,778)
Taxation	30	(1,536,267)	(2,451,436)
PROFIT/(LOSS) AFTER TAXATION		(64,196,598)	(22,545,214)
Unappropriated profit brought forward		5,938,761	28,483,975
Unappropriated profit/(loss) carried to reserves	4	(58,257,837)	5,938,761
		=====	=====

For S.A. Salam & Co. S.A. Mannan
(Chartered Accountants) (Chairman)

Tariq Rehman
(Chief Executive)

Lahore: December 1, 1998.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 1998

	June 30, 1998 Rupees	June 30, 1997 Rupees
Cash Flow from Operating Activities		
Loss before tax	(62,660,331)	(20,093,778)
Adjustments to reconcile net loss before tax to net cash provided by operating activities:		
Depreciation	34,661,122	35,325,106
(Gain)/Loss on sale of fixed assets	(754,050)	797,001
Provision for staff gratuity	1,181,172	(160,774)
Interest expense	64,046,767	66,536,434
Movement in working capital (Note - A)	48,501,743	(28,252,900)
	147,636,754	74,244,867
Cash generated from operations	84,976,423	54,151,089
Deferred expenses	(110,947,274)	-

Golden hand shake	15,000,000	-
	-----	-----
	(95,947,274)	-
Payments for:		
Staff gratuity	(1,067,564)	(458,779)
Interest	(54,654,965)	(57,559,542)
Income tax	(1,187,346)	(1,358,075)
Deferred import levies	(2,392,468)	(2,392,468)
	-----	-----
	(59,302,343)	(61,768,864)
	-----	-----
Net cash provided by operating activities	(70,273,194)	(7,617,775)
Cash Flow from Investing Activities		
Movement in long term loans & advances	1,684,357	(902,461)
Capital Expenditure	(64,634,463)	(174,622,514)
Sale proceeds of fixed assets	3,278,000	1,144,437
	-----	-----
Net cash used in investing activities	(59,672,106)	(174,380,538)
Cash Flow from Financing Activities		
Proceeds from issue of share capital	-	60,000,000
Subordinated Loan	67,000,000	-
Movement in long term loans	(9,212,900)	160,761,044
Repayment of lease finance	(14,133,330)	(15,550,092)
Dividend paid	-	(12,000,000)
	-----	-----
Net cash provided/(used) by financing activities	43,653,770	193,210,952
	-----	-----
Net (decrease)/increase in cash & cash equivalents	(86,291,530)	11,212,639
Cash & cash equivalent at beginning of the year	(256,467,837)	(267,680,476)
	-----	-----
Cash & cash equivalent at the end of the year (Note-B)	(342,759,367)	(256,467,837)
	=====	=====
	June 30,	June 30,
	1998	1997
	Rupees	Rupees

A: Movement in Working Capital

(Increase)/Decrease in current assets

Stores and spares	(594,851)	(6,387,890)
Stock-in-trade	21,858,932	(53,480,418)
Trade debts	3,997,967	26,741,849
Advances, deposits, prepayments & other receivables	14,854,471	10,654,085
	-----	-----
	40,116,519	(22,472,374)
(Decrease)/Increase in creditors, accrued expenses & other liabilities	8,385,224	(5,780,526)
	-----	-----
	48,501,743	(28,252,900)
	=====	=====

B: Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement
comprise the following Balance Sheet amounts:

Cash at bank & in hand	1,743,239	5,429,938
Secured short term finances	(344,502,606)	(256,297,775)
Short term finances from associated companies	-	(5,600,000)
	-----	-----
	(342,759,367)	(256,467,837)
	=====	=====

C: Supplemental Schedule of Non-cash Investing and Financing Activities:

Purchase of fixed assets against finance lease	26,201,340	17,288,050
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998**

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now Companies Ordinance 1984) as a private limited company on August 17, 1954 by the name of Electric Equipment Manufacturing Company (Private) Limited. Later it was converted into a public company on August 20, 1983 and its name was changed to EMCO Industries Limited on September 12, 1983. The Company was listed on stock exchange on December 29, 1983. The principal activities of the Company are the manufacture and sale of high and low tension electrical porcelain insulators, switchgear and ceramic tiles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention except land which has been carried at revalued amount and certain exchange elements referred to in note 2.4 which have been incorporated in the cost of relevant assets.

2.2 Staff Retirement Benefits

The Company operates a contributory provident fund for all its confirmed employees. In addition, the company operates an unfunded gratuity scheme for the employees' service periods not covered by the provident fund scheme.

2.3 Taxation

a) Current

Provision for current taxation is based on current rates of tax after taking into account tax credits available, if any.

b) Deferred

The Company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided for if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Foreign currency translation and exchange differences

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date except where exchange risk cover has been obtained for payment of liabilities, in which case the historical rates are used. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant fixed assets. All other exchange differences are taken to profit and loss account. The exchange risk cover fee is charged to income currently.

2.5 Fixed assets and depreciation

a) Fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost. Cost in relation to certain fixed assets signifies historical cost, exchange elements referred to in note 2.4 and cost of borrowing during construction period in respect of loans taken for specific project.

b) Depreciation has been charged on reducing installment method at the rates calculated so as to write off the written down value over the useful life of the assets, however, the normal rates allowable under the Income Tax Law are adopted where the rates arrived at on the above basis are lower. Additions during the year are depreciated for full year irrespective of the date of addition except for BMR/expansion of plant on which depreciation is charged on prorata basis for the period in which they have been used for commercial production and no depreciation is charged for assets disposed off during the year.

Maintenance and normal repair are charged to income as and when incurred; major renewals and improvements are capitalised. Gains and losses on disposal of fixed assets are included in income currently.

2.6 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of their assets. The related obligations of the lease are accounted for as liabilities. Assets so acquired are amortized over the useful life of the relevant assets.

2.7 Revenue recognition

Revenue from sales is recognized on delivery of goods to the customers.

2.8 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost valuation policy has been changed from FIFO to weighted average except for items in transit which are valued at actual cost. Net impact due to change in policy is increased in valuation of stock by Rs. 69,021/-

2.9 Stock-in-Trade

These are valued at the lower of cost and net realizable value. Cost valuation policy has been changed from FIFO to weighted average due to computerized inventory system it is more feasible than FIFO method. Net impact due to change in policy is decrease in valuation of stock by Rs. 196,045/-

Raw Material and Components	At Average Cost
Work in Process	At Average Cost
Finished Goods	At Average Cost

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	June 30, 1998 Rupees	June 30, 1997 Rupees
8,700,000 (1997: 8,700,000) ordinary shares of Rs. 10 each fully paid in cash	87,000,000	87,000,000
2,800,000 (1997: 1,300,000) ordinary shares of Rs. 10 each issued as fully paid as bonus shares	28,000,000	13,000,000
	-----	-----
	115,000,000	100,000,000
	=====	=====

	June 30, 1998 Rupees	June 30, 1997 Rupees
4. RESERVES AND UNAPPROPRIATED PROFIT		
Capital reserve (note 4 (a))	39,898,526	39,898,526
Revenue reserve (note 4 (b))	31,742,163	95,938,761
	-----	-----
	71,640,689	135,837,287
	=====	=====
a) Capital reserve		
Share premium		
Balance at beginning of the year	39,898,526	34,898,526
Premium on issue of Right Shares (1997: 4,000,000 at Rs. 5 per share)	-	20,000,000
	-----	-----
	39,898,526	54,898,526
Less: Transferred to Reserve for Bonus Shares	-	(15,000,000)
	-----	-----
	39,898,526	39,898,526
	=====	=====
b) The revenue reserve consists of:		
General reserve	90,000,000	90,000,000
Unappropriated profit/(loss)	(58,257,837)	5,938,761
	-----	-----
	31,742,163	95,938,761
	=====	=====

5. SURPLUS ON REVALUATION OF LAND

This represents surplus arising out of revaluation of entire freehold land carried out during 1992 by independent valuers M/s. Indus Surveyors, Registered Surveyors and Valuation Consultants. On the basis of their Valuation the revalued figure was incorporated in the accounts on December 31, 1992. The revaluation was carried out on the basis of market value. The land with the original cost of Rs. 169,470 was revalued at Rs. 19,000,000 resulting in the revaluation surplus of Rs. 18,830,530.

6. SUBORDINATED LOAN

Subordinated loan from banks	56,500,000	-
Loan from Associated Company	10,500,000	-
	-----	-----
	67,000,000	-
	=====	=====

These represent subordinated loans from banks and associated company obtained against personal securities provided by the directors/associated company. Subsequently major part of the securities have been encashed to pay off the bank loan, thus converting the amount in share application money. In view of the nature of the total amount the management has not classified these as current liabilities.

7. LONG TERM LOANS-SECURED

	Note		
Foreign Currency Loans			
FMO	7.2	12,694,347	21,157,247
Local Currency Loans			
PICIC	7.3	2,812,500	3,562,500
American Express Bank	7.5	40,000,000	40,000,000
Standard Chartered Bank	7.5	35,000,000	35,000,000
Saudi Pak Inv. Co.	7.5	50,000,000	50,000,000

Deutsche Bank AG	7.5	30,000,000	30,000,000
1st Int. Inv. Bank	7.5	20,000,000	20,000,000
		-----	-----
		177,812,500	178,562,500
		-----	-----
		190,506,847	199,719,747
Less: Current maturity of long term loans shown under current liabilities		52,962,899	9,212,899
		-----	-----
		137,543,948	190,506,848
		=====	=====

7.1 Foreign and local currency loans from PICIC, FMO and Consortium are secured by an equitable mortgage of the Company's immoveable properties, hypothecation of all its plant and machinery, a floating charge on all other assets of the Company and personal guarantees of the directors.

7.2 The total sanctioned loan is of DFL 4.8 million. The year end balance has been translated at DFL: 8.7258=100 Pak Rupees at which rate the exchange risk cover has been provided by State Bank of Pakistan. The loan is repayable in 13 equal half yearly installments commencing from January 01, 1994 and carries interest at 9% per annum excluding exchange risk fee of 5% per annum.

7.3 The total sanctioned loan is Rs. 6 million carrying interest at 6% per annum under the LMM scheme of State Bank of Pakistan and is repayable in 32 equal quarterly installments commencing from July, 1994.

7.4 The loans referred to in Note Nos. 7.2 & 7.3 are to finance the capital expenditure of Floor Tile Plant.

7.5 The Company has obtained a Medium Term Loan amounting to Rs. 175 Million from American Express Bank led consortium for expansion of Wall Tile project. The consortium consists of the following Banks:

- | | |
|--------------------------------------------|---------------------------------------|
| - American Express Bank Ltd. | - Standard Chartered Bank Ltd. |
| - Deutsche Bank AG | - Saudi Pak Industrial & Agricultural |
| - First International Investment Bank Ltd. | Investment Company (Pvt) Ltd. |

The above loans are repayable in eight equal half yearly installments commencing from 18 months from the date of first drawdown of the loan. The first drawdown was made during April, 1997. According to this basis the first installment shall become due during October, 1998.

Above loans carry mark-up @2% over the State Bank of Pakistan's Short Term Federal Bond Repo rate or 18% per annum, which ever is the higher. The mark-up is payable on quarterly basis.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 1998 Rupees	June 30, 1997 Rupees
Present Value of minimum lease payments	74,943,059	62,875,049
Less: Current maturity shown under current liabilities	26,057,086	13,971,715
	-----	-----
	48,885,973	48,903,334
	=====	=====

The present value of minimum lease payments has been discounted using the rates of interest implicit in the lease agreements varying from 20.00% to 25.00% per annum. Purchase option is exercisable by the Company and the Company intends to exercise this option. In case of any late payment, charges ranging from 0.083 to 0.1% per thousand per day are payable. In case of early termination of lessor the Company is obliged to deliver the asset to the lessor along with payment of agreed loss value as per lease agreements.

	June 30, 1998 Rupees	June 30, 1997 Rupees
9. DEFERRED LIABILITIES		
Staff gratuity		
Balance at beginning of the year	3,596,282	4,215,835
Payments during the year	(1,067,564)	(458,779)
Provision for the year	1,181,172	(160,774)
	-----	-----
Balance at the end of the year	3,709,890	3,596,282
	-----	-----
Deferred import levies	8,811,236	11,203,704
Less: current maturity shown under current liabilities	(2,392,469)	(2,392,469)
	-----	-----
	6,418,767	8,811,235
Golden hand shake payable	15,000,000	-
	-----	-----
	25,128,657	12,407,517
	=====	=====
10. SHORT TERM BANK BORROWINGS		
Citibank N.A.		
Running finance	37,959,842	48,975,559
Export re-finance	-	7,195,450
Import finance (TR)	975,726	18,525,983
Demand finance	11,562,600	-
Bank of America		
Running finance	-	40,138,211
Import finance	-	5,450,025
Standard Chartered Bank		
Running finance	48,357,317	36,540,153
Export re-finance	34,649,000	25,108,000
Import finance (TR)	16,554,000	13,609,000
Deutsche Bank AG		
Running finance	14,974,686	14,985,192
Import finance	-	2,795,862
American Express Bank Ltd.		
Running finance	19,985,857	11,129,208
Export re-finance	8,711,000	15,619,000
Import finance	1,131,481	-
Emirates Bank International		
Running finance	43,148,308	16,226,132
Habib Bank Ltd.		
Running finance	79,887,596	-
Export re-finance	10,000,000	-

Import finance	4,807,871	-
Credit Agricole Indosuez		
Running finance	11,797,322	-
	-----	-----
	344,502,606	256,297,775
	=====	=====

Short term finances include running finance, import finance, export re-finance and finance against bills discounting obtained from various banks. Total sanctioned facilities from various banks amounts to Rs. 403 million (1997: Rs. 346 million). The rates of markup is from 17% to 17.75% per annum except for export re-finance which carries mark up at 8% per annum.

The facilities for letters of credit and bank guarantees from various banks amounts to Rs. 263. Million (1997: Rs. 230 million). The amount utilised at the year end amounts to Rs. 44.50 million for letters of credit (1997: Rs. 44.50 million) and Rs. 45.28 million for guarantees (1997: Rs. 59.21 million). These facilities are secured by hypothecation of stocks and book debts, second charge on fixed assets and certain securities owned by directors and their family members.

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 1998 Rupees	June 30, 1997 Rupees
Creditors	45,116,637	40,927,126
Accrued salaries, benefits and other expenses	17,965,241	13,173,110
Accrued interest and other financial charges	30,735,968	21,344,166
Sales tax payable	3,240,813	3,370,016
Advances from customers	10,360,490	14,524,327
Unclaimed dividend	210,261	213,911
Other payables	7,200,692	3,500,420
	-----	-----
	114,830,102	97,053,076
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

Counter-guarantees to banks	50,068,897	59,214,678
Letters of credit other than for capital expenditure	22,083,000	17,339,296
Commitments in respect of lease arrangements Executed by the company are as follows:		
1998-1999	45,057,065	26,396,282
1999-2000	32,087,872	22,897,452
2000-2001	20,906,265	14,126,445
2001-2002	8,970,000	3,285,680
2002-2003	1,295,780	-

13. OPERATING ASSETS

13.1 The following is a statement of operating assets:

(Amounts in Rupees)

COST

DEPRECIATION

	Cost/ Revaluation at June 30, 1997	Additions/ transfers* during the year	Sales/ transfers* during the year	Cost/ Revaluation* at June 30, 1998	Accumulated depreciation at June 30, 1997	Accumulated depreciation relating to sales/ transfers*	Depreciation for the year	Accumulated depreciation as at June 30, 1998	Net book value at June 30, 1998	Annual rate of depreciation %
Freehold Land	22,088,046	-	-	22,088,046	-	-	-	-	22,088,046	-
Building on freehold land	72,357,073	2,971,170	-	75,328,243	36,962,502	-	3,564,217	40,526,719	34,801,524	10
Roads and boundary wall	5,955,380	850,534	-	6,805,914	2,027,890	-	238,901	2,266,791	4,539,123	5
Residential quarters	3,752,109	-	-	3,752,109	1,567,826	-	218,428	1,786,254	1,965,855	10
Plant and machinery	358,884,356	223,740,984	-	582,625,340	198,874,818	-	18,631,315	217,506,133	365,119,207	10
Tools and equipment	6,287,297	-	-	6,287,297	4,230,599	-	411,340	4,641,939	1,645,358	20
Dies	2,588,154	-	-	2,588,154	2,532,625	-	22,212	2,554,837	33,317	40
Furniture and fixture	5,112,016	19,600	-	5,131,616	3,659,327	-	294,458	3,953,785	1,177,831	20
Office equipment	9,979,211	394,600	*1,076,500	11,450,311	6,488,848	*594,227	873,447	7,956,522	3,493,978	20
Vehicles	17,888,185	41,500	(5,559,496)	12,370,189	11,292,125	(3,641,946)	944,002	8,594,181	3,776,008	20
Tubewells	591,852	535,307	-	1,127,159	370,586	-	75,657	446,243	680,916	10
Construction machinery	167,401	-	-	167,401	122,748	-	4,465	127,213	40,188	10
Show room renovation	1,715,613	-	-	1,715,613	754,870	-	192,149	947,019	768,594	20
Total (Rupees) 1998	507,366,693	228,553,695	(4,482,996)	731,437,392	268,884,764	(3,047,719)	25,470,591	291,307,636	440,129,756	
Total (Rupees) 1997	479,398,997	33,122,043	(5,154,347)	507,366,693	236,642,888	6,375,195	25,866,681	268,884,764	238,481,929	

13.2 The depreciation charge has been allocated as follows:

	June 30, 1998 Rupees	June 30, 1997 Rupees
Cost of sales	17,808,393	23,709,859
Administration and general expenses	575,137	1,206,877
Selling and Distribution expenses	404,239	949,945
Deferred Cost	6,682,822	-
	-----	-----
	25,470,591	25,866,681
	=====	=====

14. ASSETS SUBJECT TO FINANCE LEASE

14.1 The following is a statement of assets subject to finance lease:

(Amounts in Rupees)

Description	COST			DEPRECIATION						
	Cost as at June 30, 1997	Additions during the year	Disposal/ *Adjustments	Cost as at June 30, 1998	Accumulated depreciation as at June 30, 1997	Depreciation relating to Disposals/ *Adjustments	Depreciation for the year	Accumulated depreciation as at June 30, 1998	Net book Value as at June 30, 1998	Annual Rate of depreciation %
Vehicles	19,385,166	-	(758,000)	18,627,166	7,312,299	(151,600)	2,293,293	9,453,992	9,173,174	20
Office equipment	45,236,511	-	*(1,076,500)	34,471,511	1,913,525	*(594,227)	425,570	1,744,868	1,702,282	20
Plant and machinery	66,146,212	26,201,340	-	92,347,552	14,057,133	-	6,471,668	20,528,801	71,818,751	10
Total (Rupees) 1998	90,055,028	26,201,340	(1,834,500)	114,421,868	23,282,957	(745,827)	9,190,531	31,727,661	82,694,207	

Total (Rupees) 1997 94,433,763 17,288,(150 (21,666,785) 90,055,028 23,412,632 (9,588,100) 9,458,425 23,282,957 667,721,171

14.2 The depreciation charge has been allocated as follows:

	June 30, 1998 Rupees	June 30, 1997 Rupees
Cost of sales	6,652,611	6,642,443
Administration and general expenses	1,046,006	1,977,168
Selling and distribution expenses	364,764	838,814
Deferred Cost	1,127,150	-
	-----	-----
	9,190,531	9,458,425
	=====	=====

14.3 DISPOSAL OF FIXED ASSETS

Description	Original Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/(Loss)	Name & Address of Purchaser (By negotiation)
Vehicle	592,700	327,170	265,530	410,000	144,470	Mr. Mohd. Afzal, Mohallah Pit Bahar Shah Faisalabad Road Sheikhpura.
Vehicle	375,000	306,187	68,813	210,000	141,187	Mr. Mohd. Afzal, Mohallah Pit Bahar Shah Faisalabad Road Sheikhpura.
Vehicle	606,200	334,622	271,578	500,000	228,422	Mr. Tariq Saeed, Near General Bus Stand Sheikhpura.
Vehicle	592,700	327,170	265,530	205,000	(60,530)	Mst. Musarat Begum, House # 164/B St. # 16 Suttar Mohallah Sadar Bazar Lahore Cantt.
Vehicle	327,000	278,996	48,004	330,000	281,996	Mr. Tariq Saeed, Near General Bus Stand Sheikhpura.
Vehicle	850,000	545,360	304,640	310,000	5,360	Mr. Aziz Tahir, L.C.C.H.S. Lahore.
Vehicle	272,000	194,012	77,988	85,000	7,012	Mr. Mohd. Anwar, Sadar Bazar Lahore Cantt..
Vehicle	402,850	287,345	115,505	135,000	19,495	Mr. Ishrat Ali, 442-3-1 Township Lahore.
Vehicle	655,000	420,248	234,752	250,000	15,248	Mr. Mohd. Ali, Satellite Town Mirput Khas Sind.
Vehicle	371,000	238,034	132,966	138,000	5,034	Employee
Vehicle	80,046	72,525	7,521	75,000	67,479	Employee
Vehicle	758,000	151,600	606,400	505,000	11,014,001	Mr. Ishrat Ali, 442-3-1 Township Lahore.
Vehicle	435,000	310,277	124,723	125,000	277	Mr. Zulfiqar Ahmed, Phatak No. 4/5 Badami Bagh, Lahore.
	-----	-----	-----	-----	-----	
	6,317,496	3,793,546	2,523,950	3,278,000	754,050	
	=====	=====	=====	=====	=====	

15. CAPITAL WORK-IN-PROGRESS

	June 30, 1998 Rupees	June 30, 1997 Rupees
Machinery, other expansion work, Civil Works and contract advances for the construction of building	-	163,919,232
	-----	-----

16. DEFERRED EXPENSES

Deferred expenses of golden hand shake	(16 a)	22,942,988	-
Deferred plant expansion expenses	(16 b)	88,004,286	-
		-----	-----
		110,947,274	-
		=====	=====

16 (a) The expenses have been deferred in accordance with TR-28 issued by ICAP and will be amortized over a period of 5 years.

16 (a) These represent expenses and losses incurred during expansion and trial run period. These expenses are to be amortized over a period of 5 years beginning from July 01, 1998.

17. LONG TERM LOANS AND DEPOSITS

SECURITY DEPOSITS	(Note 17a)	392,800	1,530,117
LONG TERM LOANS	(Note 17b)	584,474	1,131,514
		-----	-----
		977,274	2,661,631
		=====	=====
17 (a) Security deposits on lease		-	738,419
Security deposits-others		392,800	791,698
		-----	-----
		392,800	1,530,117
		=====	=====
17 (b) Long term loans to employees considered good			
Executives		99,105	713,077
Others		608,100	1,152,185
		-----	-----
		707,205	1,865,262
Less: Installments due within 12 months (Note 21)		-----	-----
Executives		35,713	227,667
Others		87,018	506,081
		-----	-----
		122,731	733,748
		-----	-----
		584,474	1,131,514
		=====	=====
Outstanding for period exceeding three years		584,474	818,547
The maximum month end balances during the period are as follows:			
Executives		580,770	651,867
Others		1,207,097	1,201,395
		-----	-----
18. STORES, SPARES AND LOOSE TOOLS			
Consumable stores		9,921,585	7,595,878
Machinery spares		37,655,678	40,480,850
Loose tools		2,625,414	1,168,007
Packing material		2,719,187	3,082,278
		-----	-----
		52,921,864	52,327,013
		=====	=====
		June 30,	June 30,
		1998	1997
19. STOCK-IN-TRADE			
Raw materials and components		47,713,898	68,188,574
Work-in-process		41,295,355	46,897,297
Finished goods		89,331,714	85,114,028
		-----	-----
		178,340,967	200,199,899

=====

20. TRADE DEBTS

Trade debts	115,188,409	119,186,376
Less: Provision for doubtful debts	(3,000,000)	(3,000,000)
	-----	-----
	112,188,409	116,186,376
	=====	=====

All trade debts, including Rs. 74,263 (1997: Rs. 217,232) due from associated companies are unsecured but considered good except for certain debts for which provision of Rs. 3,000,000 has been made which is considered as adequate.

21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans to employees due within 12 months		
Considered good (note 17)	122,731	733,748
Advances for supply of goods and services	3,512,219	4,033,643
Deposits and prepayments	8,689,619	16,486,255
Letters of credit and goods-in-transit	12,648,571	18,103,568
Advance income tax	18,616,649	18,965,570
Rebates and claims receivable	1,242,180	1,712,577
	-----	-----
	44,831,969	60,035,361
	=====	=====

22. CASH AND BANK BALANCES

In hand	184,617	2,452,258
At banks in current accounts	1,558,622	2,977,680
	-----	-----
	1,743,239	5,429,938
	=====	=====

23. OPERATING RESULTS BY DIVISION

June 30, 1998

June 30, 1997

Particulars	Insulator	Wall Tile	Floor Tile	Total	Insulator	Wall Tile	Floor Tile	Total
Gross Sales								
Local	74,500,889	100,559,324	143,357,403	318,417,616	150,551,566	206,791,446	192,822,233	550,165,245
Export	49,747,402	-	-	49,747,402	49,201,293	-	362,670	49,563,963
	-----	-----	-----	-----	-----	-----	-----	-----
	124,248,291	100,559,324	143,357,403	368,165,018	199,752,859	206,791,446	193,184,903	599,729,208
Less: excise duty & sales tax	3,034,402	27,468,257	30,409,009	60,911,668	15,719,421	48,264,763	45,457,839	109,442,023
	-----	-----	-----	-----	-----	-----	-----	-----
Net Sales	121,213,889	73,091,067	112,948,394	307,253,350	184,033,438	158,526,683	147,727,064	490,287,185
Cost of sales (Note 24)	137,354,325	53,075,986	67,883,012	258,313,323	155,831,522	111,226,584	93,070,470	360,128,576
	-----	-----	-----	-----	-----	-----	-----	-----
Gross Profit/(Loss)	(16,140,436)	20,015,081	45,065,382	48,940,027	28,201,916	47,300,099	54,656,594	130,158,609
Operating Expenses								
Admin. and General (Note 25)	11,057,260	4,279,738	7,483,549	22,820,547	12,835,971	12,524,191	12,783,605	38,143,767
Selling and distribution (Note 26)	5,228,622	8,658,075	13,778,936	27,665,633	7,768,557	16,819,771	20,096,231	44,684,559
	-----	-----	-----	-----	-----	-----	-----	-----
	16,285,882	12,937,813	21,262,485	50,486,180	20,604,528	29,343,962	32,879,836	82,828,326
	-----	-----	-----	-----	-----	-----	-----	-----
Profit/(Loss) from operations	(32,426,318)	7,077,268	23,802,897	(1,546,153)	7,597,388	17,956,137	21,776,758	47,330,283
	=====	=====	=====	=====	=====	=====	=====	=====

23.1 Local sales of Insulators for the year include sale of Rs. 47,763,378 (1997: Rs. 109,076,489) to

Wapda against International tenders.

				June 30, Rupees 1998	June 30, Rupees 1997
24. COST OF SALES					
	Insulator	Wall Tile	Floor Tile	Total	Total
Raw materials and components consumed	34,481,377	30,751,667	27,893,492	93,126,536	151,553,926
Stores and spares consumed	16,273,483	6,330,774	6,579,427	29,183,684	58,145,707
Salaries, Wages and other benefits	43,664,943	10,168,823	10,448,185	64,281,951	102,317,758
Power	6,377,575	2,640,213	7,716,192	16,733,980	21,206,002
Gas	5,818,628	3,245,023	8,240,451	17,304,102	27,527,685
Depreciation	11,641,128	3,229,749	9,590,127	24,461,004	30,352,302
Repair and maintenance	877,270	176,784	535,176	1,589,230	4,025,341
Other miscellaneous expenses	4,533,655	517,168	1,334,418	6,385,241	12,319,089
	-----	-----	-----	-----	-----
	123,668,059	57,060,201	72,337,468	253,065,728	407,447,810
ADD: Opening work in process	43,751,835	2,063,926	1,081,536	46,897,297	31,692,271
	-----	-----	-----	-----	-----
	167,419,894	59,124,127	73,419,004	299,963,025	439,140,081
LESS: Closing work in process	36,670,785	3,447,275	1,177,295	41,295,355	46,897,297
	-----	-----	-----	-----	-----
Cost of goods manufactured	130,749,109	55,676,852	72,241,709	258,667,670	392,242,784
ADD: Opening inventory of finished goods	48,791,549	24,459,161	11,863,318	85,114,028	52,999,820
	-----	-----	-----	-----	-----
	179,540,658	80,136,013	84,105,027	343,781,698	445,242,604
LESS: Closing inventory of finished goods	42,186,333	27,060,027	16,222,015	85,468,375	85,114,028
	-----	-----	-----	-----	-----
	137,354,325	53,075,986	67,883,012	258,313,323	360,128,576
	=====	=====	=====	=====	=====

	June 30, 1998 Rupees	June 30, 1997 Rupees
25. ADMINISTRATION AND GENERAL EXPENSES		
Salaries, allowances and other benefits	11,515,539	18,950,175
Communication and stationery	1,498,317	2,821,065
Travelling	1,063,814	2,755,527
Vehicle maintenance	879,071	1,724,970
Office rent	2,208,125	2,668,374
Depreciation (note 13 and 14)	1,621,143	3,184,045
Fuel and power	594,302	694,671
Insurance	723,434	1,001,083
Legal and professional charges (note 25.1)	381,767	811,395
Repair and maintenance	155,849	396,054
Charity and donations (note 25.2)	195,751	460,400
Fees and taxes	347,317	508,081
Provision for doubtful debts	-	79,404
(Profit)/loss on sale & lease back	-	(33,936)
Bad debts	-	42,168
Other expenses	1,636,118	2,080,291
	-----	-----
	22,820,547	38,143,767
	=====	=====

25.1 LEGAL AND PROFESSIONAL CHARGES

Audit fee	54,000	54,000
Tax consultancy and company law work	294,000	295,200
Legal charges	33,767	462,195
	-----	-----
	381,767	811,395
	=====	=====

25.2 These include Rs. 195,000. (1997: Rs. 140,000) donated to M/s. Khair-un-Nisa Hospital Foundation, Lahore in which five of the Directors are interested as its trustees.

26. SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	6,596,209	9,692,255
Travelling expenses	973,939	1,397,884
Insurance	507,827	913,799
Handling, freight and transport	10,029,696	15,939,776
Vehicle maintenance	1,760,647	2,816,818
Office rent	1,941,619	2,647,652
Communication	1,072,204	1,840,379
Advertisement and sales promotion	1,202,298	2,673,401
Depreciation (note 13 & 14)	769,003	1,788,759
Others	2,812,191	4,973,836
	-----	-----
	27,665,633	44,684,559
	=====	=====

June 30,	June 30,
1998	1997
Rupees	Rupees

27. OTHER INCOME

Gain/(Loss) on sale of fixed assets	754,050	(797,001)
Interest on long term loans to employees	25,238	45,250
Others	2,153,301	128,478
	-----	-----
	2,932,589	(623,273)
	=====	=====

28. FINANCIAL CHARGES

Long term Loans		
Interest	8,314,219	2,761,101
Exchange risk fee	419,667	1,387,612
Financial charges on assets subject to finance lease	15,084,300	10,924,026
Excise duty	-	165,809
Short term borrowings		
Mark up on short term finances	37,372,034	45,278,793
Mark up on borrowings from associated companies	899,717	1,191,202
Excise duty	-	2,307,769
Bank charges	1,956,830	2,520,122
	-----	-----
	64,046,767	66,536,434
	=====	=====

29. WORKERS' PROFIT PARTICIPATION FUND

Interest paid during the year	-	264,354
	-----	-----
	-	264,354
	=====	=====

30. TAXATION

Current taxation		
Current year (note 30.1)	1,536,267	2,451,436
	-----	-----
	1,536,267	2,451,436
	=====	=====

30.1 In view of brought forward tax losses no provision for current taxation is required. However, the current tax provision represents the minimum tax on turnover for the year under section 80-D of the Income Tax Ordinance, 1979.

30.2 No provision for deferred tax is considered necessary by the management due to prior period tax losses and current year loss.

31. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

(Amounts in Rupees)

	June 30, 1998			June 30, 1997		
	Chief Executive Rs.	Directors Rs.	Executive Rs.	Chief Executive Rs.	Directors Rs.	Executive Rs.
Managerial remuneration	693,600	2,776,800	4,090,320	567,600	2,264,400	4,357,273
Bonus	134,387	531,549	668,745	72,500	284,000	492,262
House rent	312,120	1,249,560	1,840,741	255,420	1,018,980	1,960,774
Reimbursement of medical expenses	30,754	218,594	288,485	133,174	187,543	309,619
Reimbursement of utilities	317,901	561,225	347,212	159,451	467,057	256,740
TOTAL	1,488,762	5,337,728	7,235,503	1,188,145	4,221,980	7,376,668
No. of persons	1	4	17	1	4	17

In addition to the above benefits, all the above persons are provided with Company's maintained cars and residential telephones.

	June 30, 1998 Rupees	June 30, 1997 Rupees
32. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Sale of goods and services	1,439,784	443,030
Purchase of goods and services	335,240	62,005
Mark up	899,717	1,191,202
Short term borrowings	-	5,600,000
Lease rentals	98,000	98,000

Maximum debit balance of associated companies at the end of any month during the year ended June 30, 1998 was Rs. 653,784/- (1997: Rs. 438,550/-)

Maximum credit balance of associated companies at the end of any month during the year ended June 30, 1998 was Rs. 14,182,949/- (1997: Rs. 5,616,689/-)

	June 30, 1998 Rupees	June 30, 1997 Rupees
33. TAXES AND DUTIES		
Import duties on raw materials	21,856,896	44,738,727
Sales tax on finished goods	40,403,815	81,923,332
Excise duty on finished goods	19,203,650	28,560,000
Income tax	1,536,267	2,451,436
	-----	-----
	83,000,628	157,673,495
	=====	=====

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 1998			June 30, 1997		
	Insulator (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)	Insulator (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)
PLANT CAPACITY	5,000	1,500,000	900,000	5,000	500,000	500,000
ACTUAL PRODUCTION	863	410,030	523,757	2,536	690,248	630,137

i) Plant capacity of insulators is expressed in weight whereas actual production of insulators is in a wide range of weights, shapes, sizes, specifications, designs etc.

ii) Production of insulators is mainly regulated according to orders from public sector and indigenous private electrical industries.

iii) Low production activity in Wall Tile and Floor Tile was due to major expansion of Wall Tile Plant and BMR in Floor Tile Plant and technical problems during trial run.

iv) Low production activity in Insulator division was due to low orders received from WAPDA.

35. FIGURES

Have been rounded off to the nearest rupee.

v) Previous year's figures have been rearranged and reclassified wherever considered necessary for the purpose of comparison.

S.A. Mannan
(Chairman)

Tariq Rehman
(Chief Executive)

**Pattern of Holding of the Shares held by the Shareholders of
EMCO Industries Limited as on June 30, 1998**

No. of Shareholders	Shareholding		Total Shares held	Percentage
	From	To		
1	1	10	9	0.00
15	11	100	1,062	0.01
278	101	500	67,785	0.59
79	501	1,000	55,334	0.48
126	1,001	5,000	283,942	2.47
19	5,001	10,000	131,459	1.15
18	10,001	20,000	259,973	2.26
6	20,001	30,000	156,607	1.36
4	30,001	40,000	147,582	1.28
11	40,001	50,000	483,328	4.20
9	50,001	75,000	589,259	5.12
26	75,001	AND ABOVE	9,323,660	81.08
-----			-----	-----
592			11,500,000	100.00
=====			=====	=====

Categories of Shareholders

Categories of Shareholders	Numbers	Shares held	Percentage
Individuals	573	3,430,730	29.83
Investment companies	3	140,870	1.22
Insurance companies	4	330,872	2.88
Joint stock companies	5	3,595,139	31.26
Financial institutions	7	4,002,389	34.81
	-----	-----	-----
Total	592	11,500,000	100.00
	=====	=====	=====